



University of Southampton

Financial Statements and Statistics 2002



University
of Southampton

U n i v e r s i t y o f S o u t h a m p t o n

Financial Statements and Statistics

2001 - 2002

University of Southampton and Subsidiary Undertakings

Financial Statements for the year ended 31 July 2002

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University of Southampton and Subsidiary Undertakings

Treasurer

Godfrey Whitehead, FCA

Director of Finance

Colin R Showell, BCom, CPFA

Deputy Director of Finance

R Allan Spencer, MA, ACA

Investment Advisers

*Lazard Asset Management Limited
21 Moorfields
London EC2P 2HT*

*HSBC Investment Management
HSBC Investment Bank PLC
6 Bevis Marks
London EC3A 7JQ*

Bankers

*Fortis Bank SA/NV
23 Camomile Street
London EC3A 7PP*

External Auditors

*Mazars
8 New Fields
2 Stinsford Road
Nuffield
Poole
Dorset BH17 0NF*

Internal Auditors

*KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL*

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The University's total income increased by 9.9% compared with the previous year. Total expenditure only increased by 9.2%, which led to a significant increase in the published surplus, to £4.2 million. This was after a year in which lower than expected recruitment lead to a clawback of Higher Education Funding Council for England (HEFCE) grant of £2.18 million. Steps were taken to control expenditure during the year and the outcome of this process produced a result which is extremely pleasing, given the adverse circumstances. All parts of the University responded positively to the need to make economies during the year, but in addition, the final position was strongly helped by a very pleasing increase of £11 million (18.6%) in income from research grants and contracts. This accounted for a net increase of £1.34 million in the overall surplus.

Overall, our income from HEFCE grants, plus fee income remained at a similar proportion of expenditure to last year at just over 50%, but the general trend in recent years has been for these sources to provide a reducing proportion of our income. Consequently, it has been part of the University's strategy to try to develop a wider range of sources of income. The need for this has been reinforced in recent months by the failure of the Government to fully fund our excellent results in the Research Assessment Exercise.

Even after the clawback of £2.18 million, recurrent income from HEFCE increased by 4%. Income from student fees increased by over 10%, with a significant increase coming from home students, partly boosted by increased income for courses providing education and training for the NHS. A 12% increase in income from overseas students was particularly pleasing, as a lot of effort has been put into developing our recruitment strategies overseas in recent years.

Other Operating Income generally increased slightly above inflation levels, although the position as shown in the accounts is slightly lower because last year's figure was artificially high because it included £1.5 million from the sale of Chilworth Manor Limited, a conference centre formerly owned and operated by the University.

The University's staff costs have for some years been about 55% of total expenditure, and the

pattern was continued this year. Total staffing costs increased by £10.0 million (8.5%) whilst total numbers only increased by 3.1%. The discrepancy between the increase in costs and numbers is caused partly by the effects of inflation and incremental pay scales, but also because the increase in numbers of staff was weighted significantly towards the higher paid grades. In particular, the increase in research income, referred to above, brought with it additional staffing costs to undertake the required research. Also, the University welcomes the provision of a specific grant from HEFCE of, in total, £6 million over three years to assist in specific areas where there are problems with recruiting or retaining staff. At present this grant is time limited, but it is very much hoped that it will provide a permanent addition to our baseline, thus going some small way towards helping redress the balance of University salaries falling behind those in comparable areas elsewhere in the economy. £600,000 of this specific grant is included in these accounts. Almost £24 million was spent on the purchase, hire and repair of equipment, of which £8.6 million was capitalised. £6.2 million was charged in the accounts to Repair and Maintenance of Buildings.

The consolidated surplus of £4.2 million was greatly assisted by a profit of £655,000 by the University's main trading subsidiary, Chilworth Science Park Limited. This would have been even higher had not an agreement been reached with the largest tenant to capitalise an annual rental payment into a very long lease. The value of the Science Park continues to increase. It continues to attract tenants and to develop its facilities without impinging on the surrounding area. Future plans to further improve the site and its contribution towards the overall economy of the University are well advanced, and are indicative of the University's commitment to encouraging enterprise and innovation.

Investment Performance

The University's equity and fixed interest investments are managed by Lazard Asset Management and HSBC Investment Management. The portfolio is regularly reviewed and covers a

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range of equity and fixed interest investments, thus spreading the risk across a number of sectors. This was obviously a disappointing year for all investors, and the University's returns also reflected this. The market value of quoted shares and securities, including Endowment Asset Investments, was £16.4 million at 31 July 2002, a decrease of 17% from the previous year's figure. A relatively high weighting in bonds in the HSBC portfolio has helped to give some counterbalance to the falling value of equities, but overall the position is obviously a cause for concern, and the performance of our investments was slightly worse than might have been expected from the general performance of the financial markets. The situation is being closely monitored, and we need continuously to review the nature of our holdings to try to reconcile the competing needs of long term stability, whilst still being able to gain from any pick up in the equity markets.

Commercial Applications

The University's corporate vehicle for investing in the exploitation of intellectual property for commercial purposes has for some years been Southampton Innovations Limited. Whilst this continues for investments already made, our commercial activities have been given an exciting boost by an input of £5 million through a deal with IP2IPO Limited, a subsidiary of the Evolution Group and the formation of a company, Southampton Asset Management Limited, to work with IP2IPO to invest in new spin-off companies. This is a long-term commitment, again with the aim of producing extra funding for the University and further reducing our reliance on public funding. Two investments have already been made, and a further two have been approved by the Investment Committee.

Cash Position

The University had a cash inflow of £33.5 million from operating activities, before the use of liquid resources and financing. Payments to acquire tangible assets totalled £22.7 million, but capital grants and cash from the sale of assets reduced the

net cash outflow for these purposes to £17.7 million. Once loan charges had been met, and some funds transferred into short term investments to achieve higher interest rates, the overall position was a net increase of £5.5 million in our cash holdings. A particular problem for a university which is not cash rich, but which seeks to manage its resources prudently and to develop its facilities to a high standard, is that the majority of capital grants involve not only the need for the university to put in a significant contribution from its own limited resources, but also that expenditure has to be incurred in advance and then reclaimed. This causes particular difficulties for the management of cash flow.

Capital Projects

A major phase of the University's Estates Strategy has been coming to an end in the last few years, with the completion of several major academic buildings. Nevertheless, this year has seen the completion of major projects to refurbish Chemistry laboratories (£7.6 million), a new building for Combinatorial Chemistry (£3.6 million), and an Oncology building (£5.5 million) at Southampton General Hospital, partly supported by a grant from the Joint Infrastructure Fund programme. A major refurbishment of the Students' Union, costing in total over £5.4 million, was largely completed during the year, with £2.3 million of costs being incurred in these accounts.

Looking ahead, projects were started to develop a new indoor sports centre on the Highfield campus, estimated to cost £8.4 million by January 2004, and on a major redevelopment of the Hartley Library, estimated to cost £8.1 million. Both of these are being undertaken through subsidiary companies.

Future Developments

The University has a detailed development plan for all its campuses. The plan includes over £50 million of new capital developments in the period to 2004, of which £23 million will come from the first round allocation by the Science Research

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Investment Fund (SRIF) via HEFCE and the Wellcome Trust. The rest will come from internal provision through our annual budget and from external fund raising. As well as major science projects funded through SRIF, the programme includes the new sports complex, with swimming pool, as mentioned above, the extension to the Library, and a new Student Services building. All these projects are part of a prudent development plan, for which sources of funding have been identified. If, at any time, unexpected difficulties arise, the University will react sensibly to ensure that no unsustainable commitments are entered into. The University also hopes to benefit from a second round of SRIF funding, which is expected to be announced early in 2003.

A significant concern for many organisations has been the long-term position on pension funding. University academic staff are mainly in national schemes, which appear at present to be adequately funded. Our most immediate management issue has been our own scheme for non-academic staff (PASN), where the University has benefited from a pensions "holiday" for many years. Despite the recent falls in the stock market, the University has received actuarial advice that the scheme remains well funded and the holiday is continuing

at present. Obviously this is being kept regularly under review and the University and the Trustees may have to re-examine the issue should actuarial advice be more pessimistic in the future.

Conclusion

The University's financial position remains satisfactory, with a healthy balance sheet and an increasingly robust planning mechanism. Despite the apparently satisfactory surplus, the underlying financial position for the University's academic side remains very tight. We are in the process of updating our financial strategy as an integral part of an exciting long-term vision for the consolidation of our position as a major university. As part of this, considerable attention will be given in future to reducing our reliance on public funding, which is often unhelpfully short-term in nature, thus inhibiting sensible planning. We also intend to generate surplus funds to create the headroom for future academic and physical investment.

Nevertheless, the University will continue to maintain strong financial controls and to live within its means.

Corporate Governance

Summary of Corporate Governance

The University was established in 1952 by Royal Charter which, together with the Statutes which came into force at the same time, provides the framework for the corporate governance of the institution. The Council is the governing body of the University, and is charged by the Statutes with responsibility for "the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University". In carrying out its functions, the Council is bound by the terms of the Financial Memorandum with the Higher Education Funding Council for England (HEFCE), which is updated annually, and the acceptance of which is a precondition for the receipt of HEFCE grants. The Senate is the other principal decision-making body prescribed in the Charter and Statutes; it is primarily responsible for coordinating and advancing the academic work of the University.

The Council numbers 37 persons, comprising ex-officio and lay members, and representatives of the academic and other staff, together with two students. The Chair and Vice-Chair of Council are appointed from amongst the lay membership, which always forms a majority on the Council. Whilst the Chancellor is the titular head of the University, the Vice-Chancellor is the University's principal academic and administrative officer, and Accounting Officer. The Treasurer is a lay and non-executive member of the Council whose remit is to advise generally on matters relating to the University economy, and to satisfy him/herself as to the soundness of the University's financial position and the integrity of its financial transactions. The Secretary and Registrar is responsible to Council, through the Vice-Chancellor, for all administrative functions of the University.

The Council meets at least three times a year, and receives reports on the functioning of the University and of its subsidiary companies. Matters specifically reserved for Council decision include the Mission and ongoing strategic direction of the University, and the approval of budgetary allocations and of major new developments. Much of the business of the Council is transacted through the committee structure. In this structure the Policy and Resources Committee (PRC) - a joint committee with the Senate - performs a pivotal role. PRC is chaired by the Vice-

Chancellor, and is responsible for preparing for consideration by Council the annual revenue and capital budgets; for recommending to Council the adoption of the Strategic Plan; for monitoring performance in relation to approved budgets; and for overseeing the execution of financial policies approved by the Council. PRC receives regular advice from two committees whose remit relates respectively to personnel and to estates policy, and also from the University Management Group which has day-to-day oversight of the financial position of the University. Other committees deal with such matters as safety management and occupational health, information strategy, the remuneration and promotion of staff, and the review of academic and administrative performance. A review of the academic and professional support structures of the University was commenced during 2002, and includes a Corporate Strategy Group supported by a Financial Strategy Group.

In December 2000, Council approved a report on its effectiveness, in the light of guidance received from the Committee of University Chairmen. As a result, new guidelines were introduced, covering the role of Council and the responsibilities of members, membership of Council, briefing arrangements, the provision of information and reporting.

The Audit Committee meets at least three times a year. Meetings are attended by the External Auditors, to discuss audit findings, and also by the Internal Auditors, to discuss detailed internal audit reports and recommendations for the improvement of the University's systems of financial control, together with management's response and implementation plans. The Committee also considers reports from HEFCE relating to the conduct of business and monitors adherence to the regulatory requirements. The Committee reviews the University's annual financial statements together with the accounting policies. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet with the External Auditors for independent consultations.

The Nominations Committee is responsible for making recommendations for the filling of vacancies in the lay membership of Council, following internal and external advertisement and reference to the alumni of the University.

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Corporate Governance

The Professorial and Senior Salaries Committee reviews the salaries of senior academic and administrative staff. The lay officers separately review the salary of the Vice-Chancellor.

All these committees are formally constituted with terms of reference and comprise lay and academic members, one of whom is in the chair. All members of the Council and of the committees, together with the executive officers, are subject to Standing Orders, which inter alia require the maintenance of a Register of Interests. Members may not be present at any discussion in which they have a direct or indirect financial interest.

Statement of Internal Control

The Council is responsible for maintaining a sound system of internal control which supports the achievement of policies, aims and objectives, whilst safeguarding the public and other funds and assets for which it is responsible.

The key elements of the system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- *clear definition of the responsibilities and delegated authority of heads of academic and administrative groups;*
- *a medium and short-term planning process, supplemented by detailed annual income and expenditure and capital budgets;*
- *regular reviews of academic performance and termly reviews of financial performance and updates of forecasts of outturns;*
- *clearly defined and formalised requirements for control of expenditure, appointment of staff, investment and borrowing decisions;*
- *comprehensive Financial Regulations, amended most recently in February 2000, approved by the Audit Committee and Council;*
- *a professional internal audit service from a major international accountancy firm, whose responsibilities cover the entire internal control systems of the institution.*

During 2002, the system of internal control has been supplemented by an ongoing process designed to identify the principal risks to the achievement of policies, aims and objectives; to evaluate the nature

and extent of those risks; and to manage them efficiently, effectively and economically. A process of identifying major risks and encouraging risk management awareness throughout the University was approved by Council in July 2001, and was used during the strategic planning process in the year 2001/02.

This is being supplemented at the beginning of the academic year 2002/03 by the development of formal risk management strategies and policies, under the management of the Director of Planning, to be accepted throughout the University.

Risk management and internal control are to be considered on a regular basis during the year so that there will be a full risk and control assessment before reporting on the year ending 31 July 2003. Risk management has also been incorporated more fully into the corporate planning and decision-making processes of the University.

Council's review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the institution who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

Role of Council in the Preparation of the Financial Statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between HEFCE and the Council of the University, Council, through the Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has, through its committees and officers, ensured that:

Corporate Governance

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis has been continued in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from HEFCE are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may have prescribed;

- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the systems of internal control. Any such system can, however, only provide reasonable, but not absolute, assurance against financial misstatement or loss.

INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE UNIVERSITY OF SOUTHAMPTON

We have audited the financial statements on pages 10 to 34 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 14 to 15.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

The Council is responsible for preparing the Annual Report, including as described on pages 7 and 8 the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied only for the purposes for which they were received, and whether income has been applied in accordance with the University's statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2002, of their surplus of income over expenditure and of the group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions;
- (b) in all material respects, income from the Higher Education Funding Council for England, the Learning and Skills Council and the Teacher Training Agency, and grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- (c) in all material respects, income has been applied in accordance with the University's Statutes and where appropriate with the Financial Memorandum dated June 2000 with the Higher Education Funding Council for England and with the Funding Agreement dated July 2001 with the Teacher Training Agency.

University of Southampton and Subsidiary Undertakings

Consolidated Income and Expenditure Account for the year ended 31 July 2002

	Notes	2002 £000	2001 restated £000
<i>INCOME</i>			
<i>Funding Council grants</i>	2	75,114	69,696
<i>Academic fees and support grants</i>	3	44,874	40,512
<i>Research grants and contracts</i>	4	70,397	59,341
<i>Other operating income</i>	5	41,872	40,952
<i>Endowment income and interest receivable</i>	6	1,539	2,294
<i>Total income</i>		<u>233,796</u>	<u>212,795</u>
<i>EXPENDITURE</i>			
<i>Staff costs</i>	7	127,332	117,308
<i>Depreciation</i>	10	10,924	9,494
<i>Other operating expenses</i>	8	87,301	78,815
<i>Interest payable</i>	9	4,041	4,686
<i>Total expenditure</i>	10	<u>229,598</u>	<u>210,303</u>
<i>Surplus for the year</i>		<u>4,198</u>	<u>2,492</u>

Year 2001 has been restated with regard to Teacher Training Agency bursaries as explained under note 1c.

University of Southampton and Subsidiary Undertakings

Balance Sheets as at 31 July 2002

	Notes	Consolidated		University	
		2002 £000	2001 £000	2002 £000	2001 £000
FIXED ASSETS					
Intangible assets	11	—	89	—	—
Tangible assets	12	189,146	179,212	171,024	161,360
Investments	13	1,051	580	790	290
		<u>190,197</u>	<u>179,881</u>	<u>171,814</u>	<u>161,650</u>
ENDOWMENT ASSET INVESTMENTS	14	6,212	7,005	6,212	7,005
DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR	15	2,042	2,448	14,457	15,109
CURRENT ASSETS	16	74,433	56,920	73,599	55,868
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	(64,056)	(48,294)	(64,164)	(47,942)
NET CURRENT ASSETS		<u>10,377</u>	<u>8,626</u>	<u>9,435</u>	<u>7,926</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		208,828	197,960	201,918	191,600
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	(60,378)	(61,451)	(64,511)	(66,905)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(6,081)	(5,778)	(5,495)	(5,160)
TOTAL NET ASSETS		<u>142,369</u>	<u>130,731</u>	<u>131,912</u>	<u>119,535</u>
<i>Represented by:</i>					
DEFERRED CAPITAL GRANTS	20	62,457	54,323	62,457	54,323
ENDOWMENTS					
Specific	21	3,797	4,291	3,797	4,291
General	21	2,415	2,714	2,415	2,714
		<u>6,212</u>	<u>7,005</u>	<u>6,212</u>	<u>7,005</u>
RESERVES					
Revaluation reserve	22	10,208	9,969	—	—
Income and Expenditure account	23	63,492	59,434	63,243	58,207
		<u>73,700</u>	<u>69,403</u>	<u>63,243</u>	<u>58,207</u>
TOTAL FUNDS		<u>142,369</u>	<u>130,731</u>	<u>131,912</u>	<u>119,535</u>

The financial statements on pages 10 to 34 were approved by the Council on 12 December 2002, and signed on its behalf by:





Vice-Chancellor
(Chair of Policy and Resources Committee)

Treasurer

Director of Finance

The notes on pages 14 to 34 form part of these accounts

University of Southampton and Subsidiary Undertakings

Consolidated Cash Flow Statement for the year ended 31 July 2002

	Notes	2002 £000	2001 £000
<i>Net cash inflow from operating activities</i>	29	33,515	11,488
<i>Returns on investments and servicing of finance</i>	30	(2,466)	(2,361)
<i>Disposal of subsidiary</i>	31	—	2,229
<i>Cash disposed with subsidiary</i>	31	—	(53)
<i>Capital expenditure and financial investment</i>	32	(17,674)	(9,254)
<i>Cash inflow before use of liquid resources and financing</i>		13,375	2,049
<i>Management of liquid resources</i>	34	(5,003)	(2,669)
<i>Net financing</i>	33	(2,876)	(6,823)
Increase/(decrease) in cash	34	5,496	(7,443)

Reconciliation of Net Cash Flow to Movement in Net Debt

		2002 £000	2001 £000
<i>Increase/(decrease) in cash in period</i>	34	5,496	(7,443)
<i>Increase in liquid resources</i>	34	4,385	2,669
<i>New loans and debt movement</i>	33	—	(292)
<i>Repayment of debt</i>	33	2,876	7,115
<i>Change in net debt</i>		12,757	2,049
<i>Net debt at 1 August</i>	34	(38,698)	(40,747)
Net debt at 31 July	34	(25,941)	(38,698)

University of Southampton and Subsidiary Undertakings

Statement of Total Recognised Gains and Losses (STRGL) for the year ended 31 July 2002

	Notes	2002 £000	2001 £000
<i>Net movement on deferred capital grants</i>	20	8,134	7,093
<i>Surplus after depreciation of assets</i>		4,198	2,492
<i>Unrealised losses on endowment asset investments</i>	21	(959)	(282)
<i>Realised gains/(losses) on endowment asset investments</i>	21	6	(1)
<i>Endowment income utilised in year</i>	21	(13)	(43)
<i>Endowments received in year</i>	21	33	19
<i>Adjustments on disposal of subsidiary</i>	22	—	(302)
<i>Unrealised surplus on revaluation of Chilworth Science Park</i>		239	1,058
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>11,638</u>	<u>10,034</u>
<i>Total funds as per balance sheet:</i>			
<i>At 1 August</i>		130,731	120,697
<i>Total recognised gains</i>		11,638	10,034
<i>At 31 July</i>		<u>142,369</u>	<u>130,731</u>

Notes to the Financial Statements for the year ended 31 July 2002

I. Statement of principal accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and investment properties in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and applicable accounting standards.

(b) Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings.

The consolidated financial statements do not include those of the University of Southampton Students' Union as it is a separate entity over which the University does not exercise control or significant influence over policy decisions.

(c) Recognition of income

Government basic and other recurrent grants are included in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

Income from specific endowments and donations, research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs.

Income from short-term investments, deposits and general endowment asset investments is accrued up to the balance sheet date.

Income from other external contracts, consultancies and services rendered is credited to the income and expenditure account to the extent of amounts invoiced during the year.

The University acts as agent on behalf of the Higher Education Funding Council for England with regard to the disbursement of Access funds. Receipts and payments are therefore not included in the income and expenditure account.

Teacher Training Agency bursaries are administered on behalf of the funding council and are therefore not included in the

income and expenditure account. This change in accounting policy is the result of guidance issued by the Teacher Training Agency in August 2002.

(d) Pension schemes

Pensions are provided by means of funded defined benefit schemes and annual contributions are based on actuarial advice. The expected cost of providing pensions is recognised on a systematic and rational basis over the expected average remaining service life of members of the schemes.

(e) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the mid-term. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

(f) Leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding. Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

(g) Land and buildings

Expenditure on land and buildings is capitalised. Depreciation is charged on the following bases:

(i) Buildings acquired after 1 August 1989 - on a straight line basis over 50 years, with the exception of certain special purpose buildings with shorter useful lives.

(ii) Buildings acquired before 1 August 1989 - on a straight line basis over 30 years commencing in August 1989.

Notes to the Financial Statements for the year ended 31 July 2002

I. Statement of principal accounting policies (continued)

In accordance with SSAP4 and the SORP, grants received from governmental sources and restricted capital funds are held as deferred capital grants and released to the income and expenditure account over the estimated life of the asset.

Buildings owned by the University are valued at historical cost.

Buildings under construction within the University are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Chilworth Science Park, an investment property, is accounted for at market value. It is revalued annually and any surplus or deficit arising is taken to a revaluation reserve in general funds. No provision is made for depreciation of this property in accordance with SSAP19.

(h) Equipment

Equipment purchased by the University and costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. Equipment costing over £20,000 and all equipment held by the subsidiary undertakings is capitalised.

Equipment capitalised by the University is generally stated at cost and depreciated over three years. Large scale items of computer infrastructure however are depreciated over a period equal to their expected useful economic life. Capitalised furniture and equipment held by subsidiary undertakings is depreciated over periods of between 3 and 10 years.

Depreciation is charged to the income and expenditure account on a straight line basis.

(i) Investments

Endowment asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

(j) Stocks

Catering, trading and centrally held stocks are stated at the lower of cost and net

realisable value. Stocks held by teaching and research departments are excluded from the balance sheet, this expenditure being charged to the income and expenditure account when incurred.

(k) Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

(l) Goodwill

Goodwill arising on consolidation and acquisitions until 1998 was written off directly to reserves. Following the implementation of FRS 10, purchased goodwill is capitalised in the Balance Sheet and amortised on a straight line basis over 20 years.

(m) Maintenance

There is a substantial backlog of long term maintenance and the University has a strategy for reducing this backlog. In line with FRS 12 the University charges long term maintenance costs to the income and expenditure account as they are incurred.

(n) Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(o) Comparatives

Where notes have been enhanced to provide additional information comparative figures have been amended accordingly.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

	2002	2001
	restated	restated
	£000	£000
<i>Recurrent grants:</i>		
<i>Higher Education Funding Council for England (HEFCE)</i>	65,044	62,565
<i>Teacher Training Agency</i>	1,500	1,318
<i>Learning and Skills Council</i>	354	633
<i>Specific grants:</i>		
<i>HEFCE</i>	7,136	3,809
<i>Deferred capital grants released in year</i>	1,080	1,371
	75,114	69,696

Year 2001 has been restated with regard to Teacher Training Agency bursaries as explained under note 1c.

	2002	2001
	£000	£000
<i>3. Academic fees and support grants</i>		
<i>Full-time home/EU students</i>	26,378	24,422
<i>Full-time overseas students</i>	9,646	8,587
<i>Part-time students</i>	5,081	5,035
<i>Research training support grants</i>	1,893	1,148
<i>Special and short course fees</i>	1,876	1,320
	44,874	40,512

Included in the above is £9,502,000 (2001: £8,223,000) of NHS Teaching Contract Income in respect of full and part-time fees. Other income from health authorities is disclosed under note 5.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

4. Research grants and contracts

	2002 £000	2001 £000
INCOME		
Research councils	32,088	24,652
UK based charities	9,792	9,208
UK Central Government/local authorities/health authorities and hospitals	8,977	7,636
UK public corporations/industry and commerce	9,006	8,735
EU Government	5,571	4,087
EU other sources	1,222	1,637
Other overseas sources	3,361	2,905
Other sources	380	481
	70,397	59,341
EXPENDITURE – DIRECT COSTS		
Salaries and wages	31,668	26,898
Equipment	6,517	4,231
Depreciation	3,663	2,878
Other costs	17,709	15,835
	59,557	49,842
<i>Contribution to indirect costs</i>	10,840	9,499

5. Other operating income

	2002 £000	2001 £000
Residences, catering and conferences	17,849	16,690
Consultancies, trading and services rendered	13,894	13,311
Health authorities	2,621	1,915
Donations and subventions	1,643	1,547
Sale of property	1,485	513
Other income	4,380	6,976
	41,872	40,952

Other income for 2001 included £1,477,000 which resulted from the disposal by the group of Chilworth Manor Limited, formerly a wholly owned subsidiary.

6. Endowment income and interest receivable

	2002 £000	2001 £000
Transferred from specific endowments (note 21)	159	179
Income from general endowment asset investments (note 21)	143	167
Income from short term deposits and investments	1,237	1,948
	1,539	2,294

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

7. Staff

Staff costs:

	2002 £'000	2001 £'000
<i>Salaries and wages</i>	107,320	98,549
<i>Social Security costs</i>	8,006	7,705
<i>Other pension costs</i>	12,006	11,054
	<hr/> <u>127,332</u>	<hr/> <u>117,308</u>

	2002 Number	2001 Number
<i>Average staff numbers expressed as full-time equivalents by major category inclusive of part-time appointments:</i>		
<i>Academic/clinical/research</i>	1,884	1,751
<i>Administrative and academic support</i>	673	648
<i>Technical</i>	348	350
<i>Other (including clerical and manual)</i>	1,202	1,234
	<hr/> <u>4,107</u>	<hr/> <u>3,983</u>
	<hr/> 2002 £'000	<hr/> 2001 £'000

Emoluments of the Vice-Chancellor

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The emoluments of the Vice-Chancellor are shown excluding employer's pension contributions. The University's pension contributions to Universities Superannuation Scheme Limited (USS) amounted to £19,631 (2001: £18,204). A new appointment was made with effect from 1 October 2001 following the resignation of the previous Vice-Chancellor on 30 September 2001.

Higher Paid Staff:

Enumeration of higher paid staff, excluding employer's pension contributions, but including NHS distinction awards where appropriate:

	2002 Number	2001 Number
£50,000 – £59,999	82	72
£60,000 – £69,999	55	50
£70,000 – £79,999	30	21
£80,000 – £89,999	6	5
£90,000 – £99,999	10	9
£100,000 – £109,999	4	2
£110,000 – £119,999	6	4
£120,000 – £129,999	–	4
£130,000 – £139,999	2	–

Enhanced Pension Benefits

Two payments were made by the University on behalf of staff earning in excess of £50,000 per annum (2001:none):

	2002 £'000	2001 £'000
Payment to USS for enhanced pension benefits	73	–

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

8. Other operating expenses	2002 £000	2001 restated £000
<i>Non capitalised equipment</i>	15,395	13,423
<i>Consumables and laboratory expenditure</i>	8,399	7,449
<i>Office expenses and professional fees</i>	11,998	9,809
<i>Residences, catering and conferences operating expenses</i>	8,537	8,782
<i>Travel costs</i>	7,319	6,523
<i>Repairs, refurbishment and scheduled maintenance</i>	6,181	5,156
<i>Heat, light, water and power</i>	3,402	3,138
<i>Books and periodicals</i>	2,638	2,285
<i>Fellowships, scholarships and prizes</i>	9,232	8,003
<i>Rents, rates and hire of facilities</i>	3,410	4,489
<i>Grant to Students' Union</i>	1,169	1,100
<i>Diminution of current asset investments valuation below historic cost</i>	618	—
<i>External auditors' remuneration</i>	28	14
<i>Auditors' remuneration in respect of other services</i>	11	8
<i>Other expenses</i>	8,964	8,636
	87,301	78,815

Year 2001 has been restated with regard to Teacher Training Agency bursaries as explained under note 1c.

9. Interest payable	2002 £000	2001 £000
<i>Loans not wholly repayable within five years</i>	3,740	4,652
<i>Loans wholly repayable within five years</i>	258	—
<i>Finance leases</i>	43	34
	4,041	4,686

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

10. Analysis of 2002 expenditure by activity

	Staff costs	Depreciation	Other operating expenses	Interest payable	2002 Total	2001 Total restated
	£000	£000	£000	£000	£000	£000
Academic departments	67,965	1,284	11,599	—	80,848	74,078
Academic services	5,987	712	5,770	—	12,469	11,694
Research grants and contracts (note 4)	31,668	3,663	24,226	—	59,557	49,842
Residences, catering and conferences	3,619	8	8,537	1,167	13,331	14,424
Premises	4,411	4,667	13,332	—	22,410	22,095
Administration and central services	7,243	81	5,686	—	13,010	11,561
Other activities	6,439	509	18,151	2,874	27,973	26,609
	<u>127,332</u>	<u>10,924</u>	<u>87,301</u>	<u>4,041</u>	<u>229,598</u>	<u>210,303</u>

The depreciation charge has been funded by:

Deferred capital grants released	1,156
General income	9,768
	<u>10,924</u>

Year 2001 has been restated with regard to Teacher Training Agency bursaries as explained under note 1c.

11. Intangible assets: goodwill

	Consolidated £000
<i>Cost</i>	
At 1 August 2001	90
Additions in year	—
Impairment	(90)
At 31 July 2002	—
<i>Amortisation</i>	
At 1 August 2001	(1)
Charge in year	—
Written back	1
At 31 July 2002	—
<i>Net Book Value</i>	
At 31 July 2002	—
At 1 August 2001	89

Purchased goodwill arose entirely as a result of the purchase in June 2001 of a Post Office franchise by Manor Centre Limited, a wholly owned subsidiary of the University of Southampton. This has subsequently been fully written down following an impairment review, conducted at the end of the first full financial year as stipulated under FRS 11.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

12. Tangible assets

	Consolidated							University						
	Land and buildings		Assets in course of construction			Furniture fittings and equipment		Land and buildings		Assets in course of construction			Equipment	
	Completed Freehold £000	Completed Leasehold £000	Assets in course of construction £000	Investment Properties £000	Furniture fittings and equipment £000	Total £000	Completed Freehold £000	Completed Leasehold £000	Assets in course of construction £000	Equipment £000	Total £000			
<i>Cost or valuation</i>														
At 1 August 2001	152,971	13,841	20,507	17,386	26,649	231,354	152,971	13,842	20,186	26,416	213,415			
Additions at cost	879	1,147	12,265	5	8,599	22,895	857	1,147	12,083	8,593	22,680			
Transfers at cost	7,308	4,243	(11,557)	6	—	—	7,022	4,243	(11,265)	—	—			
Revaluation	—	—	—	239	—	239	—	—	—	—	—			
Disposals at cost	(275)	—	(1,982)	(135)	(70)	(2,462)	(275)	—	(1,982)	(39)	(2,296)			
Assets written down at cost	(281)	—	—	—	—	(281)	(281)	—	—	—	(281)			
At 31 July 2002	160,602	19,231	19,233	17,501	35,178	251,745	160,294	19,232	19,022	34,970	233,518			
<i>Depreciation</i>														
At 1 August 2001	(28,928)	(1,665)	—	—	(21,549)	(52,142)	(28,929)	(1,666)	—	(21,460)	(52,055)			
Charge for year	(4,012)	(490)	—	—	(6,253)	(10,755)	(4,009)	(490)	—	(6,208)	(10,707)			
Eliminated on disposal	110	—	—	—	76	186	110	—	—	46	156			
Assets written down	112	—	—	—	—	112	112	—	—	—	112			
At 31 July 2002	(32,718)	(2,155)	—	—	(27,726)	(62,599)	(32,716)	(2,156)	—	(27,622)	(62,494)			
<i>Net book value</i>														
At 31 July 2002	127,884	17,076	19,233	17,501	7,452	189,146	127,578	17,076	19,022	7,348	171,024			
At 1 August 2001	124,043	12,176	20,507	17,386	5,100	179,212	124,042	12,176	20,186	4,956	161,360			

Included in the balances for freehold land and buildings is expenditure of £7,124,000 funded by the HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership, and £12,700,000 for the Southampton Oceanography Centre, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.

Chilworth Science Park has been included on the basis of freehold open market value for existing use as at 31 July 2002 as determined by Vail Williams, in accordance with the Statements of Asset Valuation Practice and Guidance Notes by the RICS. The market value of the science park increased by £239,000 during the year. The historical and net book value of these assets at 31 July 2002 amounted to £7,292,000 (2001: £7,281,000) which included interest capitalised amounting to £285,000 (2001: £285,000).

In addition to the above expenditure on tangible assets a further £21,789,000 has been committed by the University and its subsidiary undertakings (note 25).

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

13. Fixed asset investments	Consolidated		University	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Investment in subsidiary undertakings at cost	—	—	150	150
Other investments	1,051	580	640	140
	<hr/>	<hr/>	<hr/>	<hr/>
	1,051	580	790	290

The University has invested £500,000 in the SULIS Seedcorn Fund ('SULIS'). The University is a limited liability partner in SULIS, which offers venture capital to spin-out companies originating at the Universities of Bristol, Bath and Southampton. A further £500,000 will be invested between the balance sheet date and September 2003.

All companies within the University group are registered in England and Wales with the exception of AquaGene Inc and Southampton Photonics Inc which are registered in the USA and Alcatel sa which is registered in France. The University group structure is as follows:

	Percentage holding	Nature of activity
<i>Held by the University</i>		
Marinotech South Limited	21.43	Research innovation
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Southampton Student Halls I Limited	100.00	Property management
Southampton Student Halls II Limited	100.00	Property management
Southampton Student Halls III Limited	100.00	Property management
Southampton Student Halls IV Limited	100.00	Property management
Southampton University Services Limited	50.00 *	Educational services
University of Southampton Holdings Limited (USH Limited)	100.00	Holding company
<i>Investments held by USH Limited</i>		
Cliffworth Science Park Limited	100.00	Science park management
Concurrent Computation Company Limited	13.00	Management services
Henry Robinson Hartley Limited	100.00	Estate management
Manor Centre Limited	100.00	Post Office franchise
SOceanic Limited	100.00	Commercial contract management
Southampton Asset Management Limited	80.00	Innovation and patents
Southampton Innovations Limited (SI Limited)	100.00	Innovation and patents
Southampton Residences Limited	100.00	Property management services
Southampton University Research into Sustainability and the Environment (SUNRISE) Limited	100.00	Waste management research
Southampton University Services Limited	50.00 *	Educational services
US(CA) Limited	100.00	Historical archives
<i>Investments held by SI Limited</i>		
Active Navigation Limited	4.16	Software development
AquaGene Incorporated	3.25	Biotechnology
Exosect Limited	19.99	Insect destruction
Hunter-Fleming Limited	0.77	Pharmaceuticals
Alcatel sa (Kynuta Limited to August 2001)	less than 1.00	Telecommunications
LME Design Automation Limited	2.33	Microchip software
Mesophotonics Limited	9.79	Photonics
Nurin Limited	5.00	Neurological protection
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Radiation Systems Limited	19.23	Radiation
Radiation Sensors Limited	19.23	Radiation
Thermotic Developments Limited	8.35	Beverage packaging
<i>Investments held by PI Limited</i>		
Southampton Photonics Incorporated	5.91	Optical fibre technology

* Company limited by guarantee, maximum liability £1

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

14. Endowment asset investments	Consolidated and University	
	2002 £000	2001 £000
<i>Balance at 1 August</i>	7,005	7,147
<i>Additions</i>	734	218
<i>Disposals</i>	(568)	(78)
<i>Depreciation on valuation for year</i>	(959)	(282)
<i>Balance at 31 July</i>	<u>6,212</u>	<u>7,005</u>
 <i>Represented by:</i>		
<i>Fixed interest stocks</i>	683	688
<i>Equities</i>	138	172
<i>Unit trusts and managed funds</i>	<u>3,648</u>	<u>4,557</u>
<i>Total stocks, equities and managed funds at market value *</i>	<u>4,469</u>	<u>5,417</u>
<i>Short term deposits</i>	1,573	1,453
<i>Cash balances</i>	<u>170</u>	<u>135</u>
<i>Total</i>	<u>6,212</u>	<u>7,005</u>
 <i>* Total stocks, equities and managed funds at cost</i>	<u>4,954</u>	<u>4,939</u>

15. Long term debtors and prepayments	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
<i>Amounts owed by subsidiary undertakings</i>	—	—	2,011	1,668
<i>Prepayments to subsidiary undertakings</i>	—	—	<u>10,405</u>	<u>10,903</u>
<i>Other prepayments</i>	<u>2,042</u>	<u>2,448</u>	<u>2,041</u>	<u>2,448</u>
	<u>2,042</u>	<u>2,448</u>	<u>14,457</u>	<u>15,019</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

16. Current assets	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Stock	365	293	356	290
<i>Debtors and Prepayments:</i>				
Grants from HEFCE	2,906	2,941	2,906	2,941
Trade debtors	10,363	6,690	10,711	6,554
Tuition fees	1,079	1,147	1,079	1,147
Research grants and contracts	21,645	20,037	21,645	20,037
Prepayments to group undertakings	—	—	575	918
Other prepayments	1,401	1,304	1,270	1,044
Other debtors	4,893	2,608	6,948	3,436
	42,287	34,727	45,134	36,077
<i>Investments</i>	19,595	15,210	19,595	15,210
<i>Cash at bank and on deposit</i>	12,186	6,690	8,514	4,291
	74,433	56,920	73,599	55,868

Investments are represented by:

	2002 £000	2001 £000
Quoted shares and securities *	11,746	12,458
Cash deposits at banks and building societies (maturity date after 1 August)	7,849	2,752
	19,595	15,210

* Market value of quoted shares and securities (held at lower of cost and net realisable value above)

11,913 14,396

17. Creditors: amounts falling due within one year

	Consolidated		University	
	2002 £000	2001 restated £000	2002 £000	2001 restated £000
Bank loans	2,646	2,733	2,084	2,203
Finance leases	—	50	—	50
Other loans	187	187	187	187
HEFCE specific grant	585	3,079	585	3,079
Advance income on research	20,996	16,260	20,996	16,260
Social Security and other taxation	3,999	4,290	3,941	4,223
Amounts owed to group undertakings	—	—	1,656	1,454
Trade and other creditors	16,841	8,922	16,691	8,631
Accruals and deferred income	18,802	12,773	18,024	11,855
	64,056	48,294	64,164	47,942

Year 2001 has been restated with regard to Teacher Training Agency bursaries as explained under note 1c.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

18. Creditors: amounts falling due after more than one year	Consolidated		University	
	2002 £000	2001 £000	2002 £000	2001 £000
Bank loans	53,161	55,714	48,787	50,997
Other loans	1,727	1,914	1,727	1,914
Amounts owed to group undertakings	—	—	10,405	10,903
Accruals and deferred income	5,490	3,823	3,592	3,091
	<u>60,378</u>	<u>61,451</u>	<u>64,511</u>	<u>66,905</u>

Amounts repayable after more than one year in respect of bank loans outstanding as at 31 July 2002, may be analysed as follows:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2002 £000	Balance outstanding 2001 £000
<i>University:</i>					
HSBC *	1993	2018	variable	7,802	8,250
HSBC *	1995	2015	fixed	1,779	1,878
National Westminster Bank	1996	2016	fixed	8,341	8,658
Yorkshire Bank	1997	2020	fixed/variable	20,500	21,354
National Westminster Bank *	1999	2019	fixed/variable	5,621	5,838
Barclays Bank *	1999	2019	fixed	4,744	5,019
				<u>48,787</u>	<u>50,997</u>
<i>Subsidiaries:</i>					
HSBC *	1999	2011	variable	4,374	4,717
				<u>53,161</u>	<u>55,714</u>

* Loans secured on specific assets

The University does not guarantee the borrowings of any subsidiary undertaking.

19. Provisions for liabilities and charges

	Consolidated			University	
	Maintenance Fund £000	Pensions £000	Total £000	Pensions £000	Total £000
At 1 August 2001	618	5,160	5,778	5,160	5,160
Utilised during year	(78)	(1,599)	(1,677)	(1,599)	(1,599)
Transfer from Income and Expenditure account	46	1,934	1,980	1,934	1,934
At 31 July 2002	586	5,495	6,081	5,495	5,495

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

20. Deferred capital grants

	Consolidated and University		
	Funding Council £000	Other grants £000	Total £000
At 1 August 2001			
Buildings	48,084	5,663	53,747
Equipment	576	—	576
<i>Total</i>	<u>48,660</u>	<u>5,663</u>	<u>54,323</u>
Additions			
Buildings	5,619	3,671	9,290
Equipment	1,810	—	1,810
<i>Total</i>	<u>7,429</u>	<u>3,671</u>	<u>11,100</u>
Transfer to Income and Expenditure account			
Buildings	(1,975)	(76)	(2,051)
Equipment	(915)	—	(915)
<i>Total</i>	<u>(2,890)</u>	<u>(76)</u>	<u>(2,966)</u>
At 31 July 2002			
Buildings	51,728	9,258	60,986
Equipment	1,471	—	1,471
<i>Total</i>	<u>53,199</u>	<u>9,258</u>	<u>62,457</u>

21. Endowments

	Consolidated and University		
	Specific £000	General £000	Total £000
At 1 August 2001			
Additions	4,291	2,714	7,005
Unrealised depreciation of endowment asset investments	33	—	33
Realised gains from sales in year	(518)	(441)	(959)
Income for year	4	2	6
Transferred to Income and Expenditure account	146	143	289
Appropriated from Income and Expenditure account	(159)	(143)	(302)
<i>Total</i>	<u>—</u>	<u>140</u>	<u>140</u>
At 31 July 2002			
Representing:			
Fellowship and scholarship funds	1,267	—	1,267
Prize funds	379	—	379
Chair and lectureship funds	1,172	—	1,172
Other funds	979	2,415	3,394
<i>Total</i>	<u>3,797</u>	<u>2,415</u>	<u>6,212</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

22. Revaluation Reserve

	Consolidated	
	2002	2001
	£000	£000
<i>At 1 August</i>	<i>9,969</i>	<i>8,911</i>
<i>Revaluation in year of Chilworth Science Park</i>	<i>239</i>	<i>1,058</i>
<i>At 31 July</i>	<i><u>10,208</u></i>	<i><u>9,969</u></i>

23. Reconciliation of Income and Expenditure Reserves

	Consolidated	University
	£000	£000
<i>Balance at 1 August 2001</i>	<i>59,434</i>	<i>58,207</i>
<i>Surplus in year after depreciation of assets</i>	<i>4,198</i>	<i>5,176</i>
<i>Transfer to general endowments (note 21)</i>	<i>(140)</i>	<i>(140)</i>
<i>Balance at 31 July 2002</i>	<i><u>63,492</u></i>	<i><u>63,243</u></i>
<i>Attributable to:</i>		
University departments	29,905	29,905
Central reserves	33,587	33,338
	<u>63,492</u>	<u>63,243</u>

The above reserves have arisen from accumulated annual surpluses. A total of £53,367,000 (2001: £48,525,000) from within these sums has been applied to finance capital developments within the University.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

24. Lease obligations	Consolidated and University	
	2002 £000	2001 £000
Obligations under finance leases fall due as follows:		
Between two and five years	—	—
Within one year	—	55
Less future finance charges	—	(5)
	—	50

25. Capital commitments	Consolidated	
	2002 £000	2001 £000
Contracted commitments at 31 July		
Indoor Sports Facility	7,496	—
Hartley Library Refurbishment *	7,274	—
Students Union Redevelopment	2,595	2,995
Units for new businesses at Chilworth	1,272	—
Oncology Building *	869	4,509
Social Statistics Building *	756	1,304
Medicine Laboratories *	502	684
Combinatorial Chemistry *	426	3,282
E-Science	337	—
Cryogenic Laboratory	262	—
New College Restructuring *	—	1,697
Clinical Research Facility *	—	344
Chemistry Refurbishment *	—	292
Library Square	—	266
Cold Store Building *	—	260
	21,789	15,633

* Commitments wholly or partly funded by external grants

26. Liability insurance

The University of Southampton has effected insurance cover in respect of liability for all members and officers who participate in the management of the University and its subsidiary undertakings.

27. Related party transactions

The University has complied with the Financial Reporting Standard on related party transactions and there are no transactions to report.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

28. University pension schemes

The University participates in four defined benefit schemes, Universities Superannuation Scheme (USS); Teachers Superannuation Scheme (TSS); National Health Pension Scheme (NHPS) and Hampshire County Council (HCC). These schemes are externally funded and contracted out of the State Earnings-Related Pension Scheme. The number of members of each scheme employed by the University as at 31 July 2002 was: USS 2,480; TSS 50; NHPS 139 and HCC 40. The assets of USS are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the USS, NHPS and TSS schemes and hence contributions for these schemes are accounted for as if they were defined contribution schemes. The costs recognised within the surplus for the year in the income and expenditure account being equal to the contributions payable to the schemes for the year.

HCC has been able to apportion a percentage of its funds assets and liabilities relating to the University and therefore the scheme has been treated as a defined benefit scheme in the accounts. The requirements of FRS 17 for the year ending July 2002 are shown below.

In addition the University contributes to a self-administered pension and assurance scheme for non-academic staff (PASNAS). The scheme is a defined benefit scheme, funded by contributions made in accordance with the recommendations of the scheme's actuaries. As at 31 July 2002, a total of 1,503 University employees were members of PASNAS.

The actuaries' recommendations for contributions to USS and PASNAS are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. Pension costs, which have been calculated using the projected unit method, are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average working lifetime of members of the schemes, after making suitable allowances for future withdrawals. The latest valuations of the schemes assets and liabilities for which results are available:

	USS	PASNAS	HCC
Date of valuation	31 March 1999	1 August 2001	31 March 2001
Market valuation of assets	£18,870 million	£75.3 million	£1,935.4 million
Past service liabilities	£17,427 million	£56.7 million	£2,272.7 million
Surplus of assets	£1,443 million	£18.6 million	—
Past service deficit	—	—	(£337.3) million
Smoothing adjustment	—	—	£66.0 million
Deficit of assets	—	—	(£271.3) million

Please note that the USS and HCC valuations reflect the total assets and liabilities of the schemes, not just the element that is attributable to the University.

USS

At the valuation date the assets were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings. Universities contribution rate required for future service benefits alone at the date of valuation was 16.3% of salaries but USS agreed that contributions would be maintained at 14.0% of salaries. This reduction of 2.3% of 11 years from the date of valuation has been funded by £561 million of its surplus. A further £201 million will be used to fund certain benefit improvements. This has left a past service surplus of £681 million (including the Supplementary Section) to be carried forward.

The total pension cost due for the University was £9,910,000 (2001: £9,139,000) which includes £846,000 (2001: £847,000) of contributions outstanding at the Balance Sheet date.

FEDERATED SUPERANNUATION SCHEME FOR UNIVERSITIES (FSSU)

The University maintains records for former members of FSSU, which is a closed scheme, based on fixed pensions. These pensions are supplemented by the University on an ex gratia basis from general income approximately in line with increases of other pensions which have an annual inflation element built in. During the year a total of £74,000 (2001: £95,000) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

PASNAS

The last full valuation on 1 August 2001 indicated that the scheme's assets represented 133% of the benefits that had accrued to members after allowing for expected increases in earnings. A surplus of £18.6 million remained and it was recommended to the University that the contribution holiday be extended until the next full valuation on 1 August 2004. A sum of £1,034,450 has been released into the Income and Expenditure account in accordance with current SSAP 24 regulations.

The main financial assumptions used at the Balance Sheet dates are:

Valuation date	31 July 2002	31 July 2001
increase in salaries	4.15% pa	4.60% pa
increase in pensions	2.40% pa	2.60% pa
Discount rate of scheme liabilities	5.70% pa	6.25% pa
Inflation assumption	2.40% pa	2.60% pa

The fair value and expected rate of return of assets held on behalf of PASNAS comprise:

	Long term rate of return expected at July 2002	Value 31 July 2002	Long term rate of return expected at July 2001	Value 31 July 2001
		£'000		£'000
Gilts	5.00%	5,769	6.25%	-
Bonds	5.70%	4,999	6.25%	11,646
Equities				
- UK quoted	6.70%	27,923	7.25%	36,435
- UK unquoted	6.70%	147	7.25%	243
Managed funds	6.70%	19,648	7.25%	23,847
Cash deposits	5.00%	2,054	6.00%	3,242
Total market value of assets		60,240		75,313
Present value of scheme liabilities		(63,294)		(61,641)
(Deficit)/surplus in the scheme		<u>(2,759)</u>		<u>13,672</u>

In accordance with FRS17 transitional regulations the fair value of the scheme's assets and present value of the scheme's liabilities have not been included in the Balance Sheet. If they were included the figures would not show a difference from those disclosed above.

2002
£'000

Analysis of the amount charged to operating surplus

Current service cost	<u>2,587</u>
Total operating charge	<u>2,587</u>

Analysis of the amount credited to other operating income

Expected return on pension scheme assets	5,281
Interest on pension scheme liabilities	(3,544)
Net return	<u>1,737</u>

Analysis of amount recognised in the STRGL

Actual return less expected return on pension scheme assets	(18,169)
Experience losses arising on the scheme liabilities	(1,769)
Changes in assumptions underlying the present value of the Scheme liabilities	<u>4,049</u>
Actuarial loss recognised in the STRGL	<u>(15,889)</u>

Movement in deficit during the year

Surplus in scheme at beginning of the year	13,672
Movement in the year:	
Current service cost	(2,587)
Contributions	308
Other finance income	1,737
Actuarial loss in STRGL	<u>(15,889)</u>
Deficit in scheme at end of year	<u>(2,759)</u>

History of experience gains and losses

Difference between actual and expected returns on assets	(18,169)
Percentage of scheme assets	(30.0)%
Experience losses on liabilities	(1,769)
Percentage of scheme liabilities	(2.8)%
Total amount recognised in STRGL	<u>(15,889)</u>
Percentage of scheme liabilities	25.1%

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

HCC

The main financial assumptions used at the Balance Sheet dates are:

Valuation date	31 July 2002	31 July 2001
<i>Increase in salaries</i>	3.90% pa	4.00% pa
<i>Increase in pensions</i>	2.40% pa	2.50% pa
<i>Discount rate of scheme liabilities</i>	6.00% pa	5.90% pa
<i>Inflation assumption</i>	2.40% pa	2.50% pa

The fair value and expected rate of return of assets held on behalf of the University comprise:

	Long term rate of return expected at 31 July 2002	Value 31 July 2002	Long term rate of return expected at 31 July 2001	Value 31 July 2001
		£000		£000
Equities	7.90%	1,840	7.90%	2,370
Bonds	4.90%	600	4.90%	480
Property	6.90%	160	6.90%	170
Other	3.40%	140	3.40%	220
Total market value of assets		2,740		3,240
Present value of scheme liabilities		(4,350)		(4,000)
(Deficit) in the scheme		(1,610)		(760)

In accordance with FRS17 transitional regulations the fair value of the scheme's assets and present value of the scheme's liabilities have not been included in the Balance Sheet. If they were included the figures would not show a difference from those disclosed above.

	2002 £000
<i>Analysis of the amount charged to operating surplus</i>	
Current service cost	120
Total operating charge	120
<i>Analysis of the amount credited to other operating income</i>	
Expected return on pension scheme assets	230
Interest on pension scheme liabilities	(240)
Net return	(10)

	2002 £000
<i>Analysis of amount recognised in the STRGL</i>	
Actual return less expected return on pension scheme assets	(710)
Experience losses arising on the scheme liabilities	(260)
Changes in assumptions underlying the present value of the Scheme liabilities	150
Actuarial loss recognised in the STRGL	(820)
<i>Movement in deficit during the year</i>	
Deficit in scheme at beginning of the year	(760)
Movement in the year:	
Current service cost	(120)
Contributions	100
Other finance income	230
Interest cost	(240)
Actuarial loss in STRGL	(820)
Deficit in scheme at end of year	(1,610)

	2002 £000
<i>History of experience gains and losses</i>	
Difference between actual and expected returns on assets	(710)
Percentage of scheme assets	25.9%
Experience losses on liabilities	(260)
Percentage of scheme liabilities	6.0%
Total amount recognised in STRGL	(820)
Percentage of scheme liabilities	18.9%

If FRS17 had been fully applied for both PASNAS and HCC in the financial statements, the combined effect on net assets and Income and Expenditure reserves as at 31 July 2002 would be as follows:

	Net Assets £000	Income and Expenditure Reserves £000
As currently stated	142,369	63,492
Net pension liability	(4,369)	(4,369)
As restated	<u>138,000</u>	<u>59,123</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

29. Reconciliation of consolidated operating surplus to net cash from operating activities

	2002 £000	2001 £000
<i>Surplus before minority interest</i>	4,198	2,492
<i>Depreciation</i>	10,924	9,494
<i>Goodwill</i>	89	1
<i>Loss/(profit) on disposal of tangible fixed assets</i>	494	(412)
<i>Profit on sale of subsidiary</i>	–	(1,477)
<i>Deferred capital grants released to income</i>	(1,156)	(1,371)
<i>Investment income</i>	(1,539)	(2,294)
<i>Interest payable</i>	4,041	4,686
<i>Decrease in valuation of short term deposits below market value</i>	618	–
<i>(Increase)/decrease in stock</i>	(72)	16
<i>Increase in debtors</i>	(5,009)	(5,359)
<i>Increase in creditors and accruals</i>	20,624	4,312
<i>Increase in provisions</i>	303	1,400
<i>Net cash inflow from operating activities</i>	<u>33,515</u>	<u>11,488</u>

30. Returns on investments and servicing of finance

	2002 £000	2001 £000
<i>Income from endowments</i>	289	303
<i>Income from short term deposits and investments</i>	1,254	1,862
<i>Other interest received</i>	90	130
<i>Interest paid</i>	(4,099)	(4,656)
	<u>(2,466)</u>	<u>(2,361)</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

31. Disposal of subsidiary

	2002 £000	2001 £000
<i>Net assets disposed of</i>		
<i>Tangible fixed assets</i>	—	4,382
<i>Stocks</i>	—	28
<i>Debtors</i>	—	293
<i>Cash</i>	—	53
<i>Creditors</i>	—	(4,004)
	<hr/>	<hr/>
<i>Surplus on disposal</i>	—	752
	<hr/>	<hr/>
<i>Satisfied by</i>		
<i>Cash</i>	—	1,477
	<hr/>	<hr/>
	—	2,229

Relates to the disposal by the group of Chilworth Manor Limited, formerly a wholly owned subsidiary, during 2001.

32. Capital investment and financial investment

	2002 £000	2001 £000
<i>Tangible assets acquired</i>	(22,748)	(20,140)
<i>Fixed asset investments acquired</i>	(471)	(805)
<i>Endowment asset investments acquired (note 14)</i>	(734)	(218)
	<hr/>	<hr/>
<i>Total fixed and endowment asset investments acquired</i>	(23,953)	(21,163)
<i>Receipts from sales of endowment assets</i>	574	78
<i>Receipts from sales of fixed asset investments</i>	—	—
<i>Receipt from sale of tangible asset</i>	1,782	1,316
<i>Deferred capital grants received</i>	3,890	10,496
<i>Endowments received (note 21)</i>	33	19
	<hr/>	<hr/>
	(17,674)	(9,254)

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2002

33. Analysis of changes in consolidated financing during the year	2002 £000	2002 £000	2001 £000	2001 £000	
<i>Balance at 1 August</i>		60,598		67,421	
<i>New loans and increased debt</i>			292		
<i>Capital repayments</i>	(2,876)		(7,115)		
		(2,876)		(6,823)	
<i>Balance at 31 July</i>		57,722		60,598	
34. Analysis of changes in net debt	At 1 August 2001 £000	Cash flows £000	Other non cash changes £000	At 31 July 2002 £000	
<i>Cash at bank and in hand</i>	6,690	5,496	–	12,186	
<i>Short term deposits</i>	15,210	5,003	(618)	19,595	
<i>Debt due within one year</i>	(2,970)	2,876	(2,740)	(2,834)	
<i>Debt due after one year</i>	(57,628)	–	2,740	(54,888)	
	(38,698)	13,375	(618)	(25,941)	
35. Access funds			Consolidated and University		
			2002 £000	2001 £000	
<i>Balance at 1 August</i>			–	97	
<i>Net HEFCE grant</i>			795	747	
			795	844	
<i>Disbursed to students</i>			(756)	(844)	
<i>Balance at 31 July</i>			39	–	
36. Teacher Training Agency (TTA) bursaries			Consolidated and University		
	At 1 August 2001 £000	Income received £000	Disbursements £000	Returned to TTA £000	
				At 31 July 2002 £000	
<i>Initial Teacher Training bursaries</i>	30	1,794	(1,715)	(30)	79
<i>Secondary Shortage Subject Scheme</i>	53	22	(14)	(5)	56
	83	1,816	(1,729)	(35)	135

Financial Statistics

Financial indicators

	2002	2001 restated	2000	1999	1998
Source of income					
<i>HEFCE grants plus home fees and support grants/total income</i>	47.0%	47.4%	49.6%	49.0%	49.3%
<i>Overseas fees/total income</i>	4.1%	4.1%	4.0%	3.5%	3.8%
<i>Research grants and contracts/total income</i>	30.3%	28.1%	26.0%	25.7%	26.3%
<i>Other operating income/total income</i>	18.0%	19.4%	19.5%	20.8%	19.0%
<i>Surplus or deficit before transfers/total income</i>	1.8%	1.2%	0.4%	2.2%	1.4%
Long term solvency					
<i>Days of total general funds and provisions to total expenditure</i>	116	119	120	125	128
<i>Ratio of long term liabilities to general funds</i>	95.1%	103.4%	120.9%	116.2%	98.9%
Short term solvency					
<i>Net liquid assets to current liabilities</i>	0.5:1	0.5:1	0.6:1	0.7:1	0.9:1
<i>Days ratio of net liquid assets to total expenditure</i>	58	45	53	59	105
<i>Current assets/current liabilities</i>	1.16:1	1.18:1	1.27:1	1.33:1	1.33:1
<i>Ratio of movement in net liquid assets in year to same assets at start</i>	39.6%	-8.1%	-4.6%	-40.1%	62.5%
<i>Days of total income represented by debtors</i>	39	38	30	26	29

Financial Statistics

Income from sponsored research for the year ended 31 July 2002

From Research Councils	£'000	From UK-based Charitable Bodies	£'000
Arts and Humanities Research Board	766	Action Research	34
Biotechnology and Biological Sciences Research Council	2,292	Arthritis Research Campaign	196
British Academy	177	Association for International Cancer Research	86
Economic and Social Research Council	470	Association for Spina Bifida and Hydrocephalus	69
Engineering and Physical Sciences Research Council	14,361	Body Organ Donor Society	41
Medical Research Council	3,152	Breast Cancer Campaign	23
Natural Environment Research Council	9,864	British Brain and Spine Foundation	31
Particle Physics and Astronomy Research Council	854	British Diabetic Association	102
Tyndall Centre for Climate Change Research	152	British Digestive Foundation	34
Total Research Councils	32,088	British Heart Foundation	328
		British Liver Trust	34
		British Lung Foundation	71
		Cancer Research UK	1,027
		Children's Liver Disease Foundation	28
		CICRA - Crohns in Childhood Research Association	38
		Cleanaway Havering Riverside Trust	35
		Colt Foundation	58
		Cystic Fibrosis Research Trust	49
		Dunhill Medical Trust	212
		Hampton Trust	27
		Institute of Child Health	76
		International Centre for Underutilised Crops	133
		International Spinal Research Trust	20
		Joseph Rowntree Memorial Found	32
		Juvenile Diabetes Foundation	99
		Kingston Trust	67
		Leukaemia Busters	188
		Leukaemia Research Fund	907
		Leverhulme Trust	307
		Marie Stopes International	24
		Maurice Laing Foundation	61
		Multiple Sclerosis Society	38
		National Asthma Campaign	87
		National Meningitis Trust	39
		National Society for Colitis & Crohns	36
		Nuffield Foundation	39
		Parthenon Trust	53
		Peder Sager Wallenberg Charitable Trust	69
		PPP Healthcare Medical Trust	112
		Royal College of Surgeons	56
		Royal Geographical Society	24
		Royal National Lifeboat Institute	110
		Royal Society of Edinburgh	26
		Sir Jules Thorn Charitable Trust	105
		Smith's Charity	26
		Solent Subfertility Trust	94
		Sports Aided Medical Research for Kids - SPARKS	62
		Stroke Association	52
		Tenovus	674
		UK Central Council for Nursing Midwifery and Health Visiting	53
		Wellcome Trust	2,837
		Wessex Cancer Trust	98
		Wessex Medical Trust	449
		Others less than £20,000	216
		Total UK-based Charitable Bodies	9,792

Financial Statistics

Income from sponsored research

for the year ended 31 July 2002

(continued)

From Other Sources	£'000	£'000	
Airbus UK Ltd	26	Foreign & Commonwealth Office	39
Aquagene Inc	57	Forestry Commission	20
Arakis Ltd	42	Fujisawa Pharmaceuticals Company	35
Asahi Glass Co Ltd	48	Gamian Europe (Italy)	30
AstraZeneca	506	Gaztransport & Technigaz	55
Aventis Pharma Ltd	289	GBR Challenge Co Ltd	192
BAE Systems	137	Genetix Ltd	23
Bayer	84	Gillette Management Inc	32
BGT Bodenseewerk Geratetechnik GmbH (Germany)	73	GlaxoSmithKline PLC	735
Binnie Black & Veatch	351	Health and Safety Executive	40
Blubay Yachts	22	Hewlett Packard Ltd	64
BNFL Engineering Ltd	94	Highways Agency	97
Bournemouth Borough Council	42	Hofmann-La Roche Inc (USA)	78
Bowman Power Systems Ltd	30	Hunter Fleming Ltd	23
BP Exploration Operating Co Ltd	52	Hunting-BRAE Ltd	94
Britannia Pharmaceuticals Ltd	29	IBM UK Laboratories Ltd	67
BYK UK	30	ICI PLC	46
Calbiochem-Novabiochem AG	67	Imperial College of Science Technology & Medicine	40
Cambridge Antibody Technology Ltd	140	International Copper Association	36
Celltech Group PLC	56	Intervet International Gmbh	51
Central Health Outcomes Unit	54	J Sainsbury PLC	26
Chemical Manufacturers Association (USA)	20	Jaguar Cars Ltd	27
City Technology Ltd	30	Johnson Matthey PLC	53
Consiglio Nazionale Delle Ricerche	20	Kings College London	103
Crain	86	Knowles Electronics (USA)	38
Den Norske Stats Oljeselskap AS - STATOIL (Norway)	69	Kvaerner Process Systems	44
Department for Environment Food & Rural Affairs	429	Laserther Ltd	24
Department of Health	3,068	Liverpool School of Tropical Medicine	22
Department of Trade & Industry	315	Local Authorities Consortium	180
Department of Transport Local Government & the Regions	130	London Bus Services Ltd	57
Depuy International Ltd	130	Luxfer Group Ltd	38
Devonport Management Ltd	76	MacArthur Foundation	36
Dow-Corning (UK) Ltd	120	Matra Marconi Space UK	40
Dubois Naval Architects Ltd	68	Medarex Inc	42
Eli Lilly & Co Ltd	109	Merck Ltd	37
English Heritage	173	Merck Sharpe & Dohme Research Laboratories	89
English Nature	36	Metaldyne	25
Environment Agency	99	Meteorological Office	79
Epigenesis Pharmaceuticals Inc	27	Ministry of Defence	206
European Space Agency	153	MSX International	36
European Space Operations Centre	47	Mulder Design	29
European Union	5,351	Multiple Myeloma Research Foundation	43
Exxon Mobil	336	National Institute of Health	229
Food Standards Agency	431	Nexus	28
Ford Foundation	50	NHS Directorate of Health and Social Care	
		North	39
		NHS Executive South & West	203
		NHS Executive South East	898

Financial Statistics

Income from sponsored research for the year ended 31 July 2002 (continued)

	£000	£000	
NIIS Management Executive	80	Scottish Office	40
Nippon Sheet Glass Inc (USA)	94	Smith and Nephew Inc	38
Nissan Motor Company (Japan)	72	SNCF (France)	25
Nottingham Health Authority	90	Southampton City Council	47
Nycomed Amersham PLC	143	Southampton Photonics Ltd	405
Office for National Statistics	173	Southampton University Hospitals NHS Trust	161
Organon NV (Netherlands)	87	Sterix Ltd	68
Owen Williams Ltd	62	Superior Yacht Services	23
Pechiney Cro	23	Teacher Training Agency	30
Perini Navi Spa	39	Team New Zealand	142
Pfizer Ltd	237	Thames Water Utilities Ltd	40
Pharmax Ltd	33	Unilever	22
Phonak AG	32	Union International Contre le Cancer	31
Pirelli	63	United States Air Force	227
Platinum Resource Ltd	25	United States Navy	140
Positive Light Inc	199	University Corporation for Atmospheric Research	55
Powertile Ltd	23	University of Bergen	290
Profile Therapeutics PLC	34	University of Newcastle Upon Tyne	75
Public Health Laboratory Service	40	University of York	29
QinetiQ PLC	979	Unquoted Companies Group	65
Radiation Sensors Ltd	36	Van Oossanen & Associates	50
Radiation Systems Ltd	37	Virtual Centre of Excellence in Mobile & Personal Communications Ltd	158
Radiodetection Ltd	118	Wessex Renal & Transplant Unit	41
Raynestway Construction Southern	28	Wiltshire and Swindon TEC	20
Reckitt & Coleman Products Ltd	85	World Health Organisation	44
Regma Biotechnologies	73	WS Atkins Contractors Ltd	45
Renold Automotive Systems	43	Yamanouchi UK Ltd	55
Roche Products Ltd	130	Others less than £20,000	3,764
Rockwater Ltd	25		
Rolls Royce PLC	493		
Rotta Laboratorium	67		
Royal Society	654	Total Other Sources	28,517

